



What are the differences between CITY AND COUNTY FINANCES?

Cities and counties have different taxing authority under state law. Counties have been designated and are equipped with the taxing resources to provide regional and local rural services. Cities are structured and have the tools to most efficiently provide urban local services. This does not mean that joining a city requires residents to pay more taxes rather that cities have greater flexibility in how they collect and spend taxes and fees.

Here are a few examples.

Local Property Taxes. Under state law, the local portion of the property tax King County collects in unincorporated areas must be spent for roads. In cities, the local portion of property tax collected by cities contributes to a general fund that elected officials have the option to direct towards the priorities of their communities— be it roads, public safety, economic development, or a variety of other services.

Local Sales Taxes. Over the years, urban unincorporated King County has become primarily residential with most shopping and commercial centers developing in cities. As a result, residents in unincorporated urban areas frequently shop in cities, meaning a portion of their sales tax dollars goes toward supporting city services rather than the local services in their neighborhoods.

State Sales Tax Credit. In 2006, the State of Washington adopted legislation offering a state sales tax credit to cities that commence annexation before 2010. This funding helps cities provide, maintain and operate municipal services in annexed areas for ten years following annexation. Because the tax is credited against the state's share of the sales tax collected in the city and the annexed area, buyers do not pay any additional taxes.

Utility & Business Taxes. In addition to property and sales tax, cities have other revenue sources that tend to keep pace with the growth of service costs – such as business tax and utility tax revenues.

Due in part to the limitations in state law placed on how the counties collect and spend taxes, the King County's budget for local urban services does not balance. County services have had to be significantly cut in recent years. Examples of such cuts include the elimination of almost all park and recreation service programming and reduction in local human services programs.

King County and the cities within its borders are working to annex or incorporate all areas in the urban growth boundary by 2012. Becoming incorporated gives residents more value per tax dollar spent and frees up resources for the County to provide regional services that everyone in the county benefits from, including criminal justice, public health and human services, regional parks, and bus service.